

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 DOE-15 SOE-02 PA-01 /107 W
-----121732 071616Z /47

R 071549Z AUG 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2362
INFO AMEMBASSY ABU DHABI
AMCONSUL ALEXANDRIA
AMEMBASSY DOHA
AMEMBASSY JIDDA
AMEMBASSY KUWAIT

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ALEXANDRIA FOR AMBASSADOR

E.O. 11652: N/A
TAGS: EFIN, EAID, EG
SUBJECT: PRESS COMMENT ON GODE-GOE MEETING IN KUWAIT
REF: CAIRO 18396 (NOTAL)

1. SUMMARY: AUGUST 4 AL AHRAM CARRIES FIRST OF SERIES OF
ARTICLES BY ECONOMIC DIRECTOR IBRAHIM NAFA'I ENTITLED
"EGYPTIAN INTERESTS AND ARAB INTERESTS". AUGUST 4 ARTICLE
CONCERNS RECENT GODE-GOE MEETINGS IN KUWAIT (REFTEL). IN
CONTRAST TO EARLIER UPBEAT PRESS REPORTS ON SUBJECT, TONE
OF NAFA'I ARTICLE CONSIDERABLY MORE SUBDUED. END SUMMARY.

2. NAFA'I WRITES THAT EGYPT HAS MEANS TO MEET ITS
FINANCIAL AND DEBT SERVICE REQUIREMENTS THROUGH END OF
THIS YEAR AND IS ONE OF FEW LDC'S TO HAVE FULFILLED ITS
OBLIGATIONS "ON TIME". RELATIVE IMPROVEMENT IN EGYPT'S
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ECONOMIC POSITION, ACCORDING TO NAFA'I, RAISES NUMBER OF
QUESTIONS CONCERNING FATE OF EGYPT'S ECONOMY. ONE MAJOR
QUESTION IS ARAB AID TO EGYPT. INDEED, ARTICLE NOTES THAT
SO CENTRAL HAS AID ISSUE BECOME, SUCCESS OF EVERY EGYPTIAN
ECONOMIC DELEGATION IS JUDGED BY THE AMOUNT OF AID IT
OBTAINS. AUGUST 4 ARTICLE FOCUSES ON RESULTS OF JULY 27
GOE-GODE MEETING.

3. AS BACKGROUND, NAFA'I REVIEWS FORMATION OF GODE, NOTING THAT GODE'S \$2 BILLION CAPITAL WAS TO HAVE BEEN PAID IN AND DISBURSED OVER FIVE-YEAR PERIOD. PRAISING GODE'S DECISION TO UTILIZE ENTIRE CAPITAL IN ONE YEAR IN ORDER TO RESPOND TO 1976-77 EGYPTIAN BOP CRISIS, NAFA'I EXPLAINS COMPLICATED FINANCIAL ARRANGEMENTS RESULTING FROM JULY 27 MEETING (REFTEL). ACCORDING TO NAFA'I, PETROLEUM-PRODUCING STATES PRESENTED TWO MAJOR REASONS AT JULY 27 MEETING FOR ADOPTING RELATIVELY TIGHT FISTED APPROACH, RATHER THAN SIMPLY REPLENISHING FUND. FIRST, SOME GODE STATES (PARTICULARLY QATAR AND U.A.E.) EXPERIENCING THEIR OWN FINANCIAL PROBLEMS THIS YEAR. SECOND, GODE BELIEVES WORST OF EGYPTIAN BOP CRISIS OVER AND THAT GODE SHOULD RETURN TO ITS BASIC AIM OF DEVELOPING EGYPTIAN ECONOMY. GODE, ACCORDING TO ARTICLE, EMPHASIZED SECOND POINT, STRESSING THAT IT IS IN BUSINESS OF ECONOMIC DEVELOPMENT, NOT BOP SUPPORT. ARTICLE NOTES IN THAT REGARD GODE RAISED ITS USUAL COMPLAINT ABOUT GOE CONTINUING TO ASK FOR HAND-OUTS WHILE SIMULTANEOUSLY DENYING GODE STATES ACCESS TO HUGE EGYPTIAN MARKET.

4. REPLYING TO GODE CRITICISM, NAFA'I NOTES THAT EGYPT HAS NOT FORGOTTEN PETROLEUM-PRODUCING STATES PAST ECONOMIC, FINANCIAL AND MILITARY AID. NEVERTHELESS, ARTICLE HINTS THAT MAJOR REASON FOR EGYPT'S PRESENT LIMITED OFFICIAL USE

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PRECARIOUS BOP POSITION WAS OPEC'S RISE IN OIL PRICES WHICH CAUSED HUGE INCREASE IN EGYPTIAN BILLS FOR VITAL IMPORTS. WHILE EGYPT IS IN FULL AGREEMENT WITH BASIC GODE AIM OF DEVELOPING EGYPTIAN ECONOMY, GOE DOES NOT AGREE WITH GODE AS TO THE BEST WAY TO ACHIEVE IT. ARTICLE NOTES THAT EGYPT CAN OBTAIN PROJECT AID FROM ARAB DEVELOPMENT BANKS, ON BILATERAL BASIS AND FROM INTERNATIONAL INSTITUTIONS. GODE SUPPORT, THEREFORE, SHOULD NOT DUPLICATE OTHER SOURCES OF AID, BUT SHOULD CONCENTRATE ON BOP SUPPORT.

5. AS FOR QUESTION OF PARTICIPATION IN EGYPT'S DOMESTIC MARKETS, ARTICLE POINTS OUT THAT LARGE SIZE OF MARKET MORE APPARENT THAN REAL. EGYPT'S EXTREME POVERTY DOES NOT PROVIDE PURCHASING POWER COMMENSURATE WITH SIZE OF ITS POPULATION AND MARKET IS ALREADY SATURATED. ARTICLE ALSO ADDS THAT MAJOR DEVELOPMENT PROJECTS BELONG TO EGYPT'S PUBLIC SECTOR AND SPIRIT OF EGYPTIAN "SOCIALISM" DOES NOT PERMIT FOREIGN PARTICIPATION IN PUBLIC SECTOR PROJECTS.

6. NAFA'I ENDS ARTICLE WITH APPEAL TO GODE TO CONTINUE

ITS SUPPORT OF EGYPTIAN ECONOMY. BASIS OF FUTURE GODE PARTICIPATION IN ECONOMY, HOWEVER, SHOULD BE DEVELOPED THROUGH "NEW DIALOGUE" RECOGNIZING THE NEEDS AND "PHILOSOPHIES" OF BOTH SIDES.

7. COMMENT: TONE OF ARTICLE IS SUBDUED AND BALANCED IN COMPARISON WITH EARLIER MORE ROUTINELY POSITIVE PRESS REPORTS CONCERNING JULY 27 MEETING AND PRESENTS RESTRAINED REPLY TO QUESTION OF GODE DEVELOPMENT AID VERSUS BOP SUPPORT. ARTICLE IS NOTEWORTHY IN THAT IT ATTEMPTS TO DEAL TO SOME EXTENT WITH DONOR CONCERNS, RATHER THAN INSISTING THAT ARAB AID IS DUE EGYPT AS ITS NATURAL RIGHT IN RECOMPENSE FOR COSTS OF CONFRONTATION WITH ISRAEL.

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COMING ARTICLES WILL DEAL WITH FUTURE OF EGYPTIAN ECONOMY,
BUT PUBLICATION DATES NOT GIVEN. EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 07 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978CAIRO18485
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780322-1139
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780889/aaaacwom.tel
Line Count: 160
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 09320467-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 CAIRO 18396
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1809397
Secure: OPEN
Status: NATIVE
Subject: PRESS COMMENT ON GODE-GOE MEETING IN KUWAIT
TAGS: EFIN, EAID, EG
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/09320467-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014